

Ensuring Economic Growth and Environmental Sustainability in Brazil

by  Janet Ranganathan - July 19, 2013

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Brazil's economy has been booming. During the past decade, it grew from the ninth to the sixth-largest in the world. While this growth has brought many socioeconomic benefits, it's come with a downside: significant environmental impacts. Brazil has the highest rate of **deforestation** worldwide, while **pollution** threatens the country's drinking water supply. Despite a decrease in national greenhouse gas emissions of late, agriculture emissions and energy demand are still rising.

This double-edged sword begs an important question: Must Brazil, home to several biodiversity hotspots and the **largest rainforest in the world**, choose between economic growth and environmental conservation? A handful of leading



Fishing in the Brazilian Amazon. Brazil has the highest rate of deforestation worldwide, while pollution threatens the country's drinking water supply. Photo Credit: CIFOR/Flickr

companies think not, and they're starting to show evidence that Brazil's business sector can be both sustainable and profitable.

A new kind of partnership

For the past year, a group of eight multinationals have worked together under the **Brazilian Business and Ecosystem Services Partnership** (PESE) to explore how their businesses both impact and depend upon the environment. The participants span sectors as diverse as retail (Walmart), mining (Anglo American, Vale and Votorantim), cosmetics (Natura), agribusiness (Andre Maggi Group) and food and beverage (Danone and PepsiCo).

The PESE addresses the relationship between corporate performance and **ecosystem services**. This term refers to the range of benefits provided by nature, such as the supply of clean water and crop pollination. These services can underpin corporate performance, yet they're too often taken for granted.

Companies in PESE are evaluating their impacts and dependencies on ecosystem services using a tool called the **Corporate Ecosystem Service Review** (ESR). The lessons they're learning are beginning to shape their business practices -- and could act as powerful examples to inspire other corporations in Brazil.

The business members of PESE are joined by the World Resources Institute (WRI), the Brazilian Business Council for Sustainable Development (CEBDS), the Center for Sustainability Studies at Getúlio Vargas Foundation (GVces), and the U.S. Agency for International Development (USAID).

Supply chain wins for business and nature

Take agriculture, for example. It's a leading driver of deforestation in Brazil. The resulting loss of forest ecosystem services such as climate and water regulation, in turn, threatens the country's supply of agricultural products. Companies then face operational and reputational risks as a result of these environmental changes.

Companies in PESE are beginning to both identify and mitigate these

environment-related risks. For example:

Andre Maggi Group, one of Brazil's largest soy players, is using the ESR to help **secure a sustainable wood biomass fuel supply** to power its Amazon-based operations. The company's sustainability and operations teams joined forces to develop a more resilient and economical **biomass procurement strategy** for the region.

Walmart is tackling the environmental challenges associated with its **supply of beef**. Because cattle ranches occupy **more than 70 percent (PDF)** of the deforested Amazon region, Walmart has set a target of **achieving a beef supply chain with zero deforestation** by 2015. To help achieve this target, Walmart's ESR will examine cattle **ranching practices** that reduce deforestation.

Danone, a dairy multinational, is focusing on evaluating strategic opportunities and risks to its main children's product line. In collaboration with local NGO Ipê, it identified ways to help dairy farmers in its supply chain boost the biodiversity and soil quality in their pastures for higher-grade milk and lower operational costs for the company.

Shifting the mindset from minimizing impacts to maximizing benefits

Mitigating environmental risks is not just good for companies, either -- it's good for Brazil.

For example, production of palm oil is commonly associated with **deforestation of tropical forests** and their replacement by monoculture palm, **causing serious impacts** on the environment, especially in Malaysia and Indonesia. Seeking greater sustainability in Brazil's cosmetics supply chain, Natura's Bioagriculture Research Program has surveyed organic production of palm oil in diversified agroforestry systems, composed of several native and commercially viable plants grown in the same production unit. Natura is identifying ways to create positive environmental and social impacts from agroforestry palm oil in the Brazilian Amazon. These include improving farmers' food security, conserving natural resources and producing more sustainable raw materials for its cosmetics.

Mining companies Anglo American and Votorantim have integrated **ecosystem services into the environmental impact assessment** (EIA) process in the design of new mines. Understanding how mining both impacts and depends on ecosystem services enables decision-makers to go beyond mitigating negative environmental impacts, towards capitalizing on the benefits of improved ecosystem management. Opportunities uncovered include reducing greenhouse gas emissions and operational costs of mining, while also providing income generation and development to the region.

Of course, Brazil still has a very long way to go to decouple its economic growth from environmental degradation. The actions of a few companies will not suffice to truly break the connection. But PESE and other initiatives like it are proving that environmental conservation is good for business. If enough companies start to see the connection between sustainability and strong growth, it can create a real sea change in Brazil's business sector -- and in its ecosystems.

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